

Kentucky Agricultural Finance Corporation

Minutes of the November Meeting

The meeting of the Kentucky Agricultural Finance Corporation was held on Friday November 4, 2005 at 10:00 am CST at the Executive Inn Rivermont in Owensboro, Kentucky. Michael Judge, presiding, called the meeting to order. Mr. Judge then asked Nicole Ray, Secretary, to call the roll.

Members Present

Commissioner Richie Farmer (Michael Judge, designee); Wayne Hunt; Larry Jagers; Doug Lawson; Billy Joe Miles; Frank Penn; Bob Proffitt; James Reams; Annette Crawford Walters

Members Absent

Jane Jones; Charles Miller; Secretary Robbie Rudolph

Others Present

Staff- Catherine Ball, David Bratcher, Tim Hughes, Nicole Ray, Keith L. Rogers

Guests- Warren Beeler, Department of Agriculture; Jimmy Dan Hicks, Heritage Bank; Jimmy and Jamey Tosh, Tosh Farms; John Wright, Owensboro Grain

Notification of Press

Michael Judge received verification from Keith L. Rogers, Executive Director, that the media had been notified regarding the November Board meeting.

Introduction of Guests

Mr. Judge introduced Warren Beeler, Director of the Division of Value-Added Animal and Aquaculture Production for the Kentucky Department of Agriculture.

Mr. Judge then yielded the floor to Mr. Rogers to introduce the new board members.

Mr. Rogers welcomed to the board Frank Penn of Lexington, an equine industry representative, and James Reams of Somerset, a banking industry representative.

Review and approval of Minutes of September 9, 2005

A motion to approve the September minutes as presented was made by Wayne Hunt, seconded by Larry Jagers. The motion passed without dissent.

Executive Director's Report

Mr. Rogers provided an overview of approved loan balances in the KAFC loan programs.

Mr. Rogers notified the board that in October the ADB had approved a grant to the Kentucky Produce Aquaculture Alliance. The grant was to complete a study by Cobank (now Ascendant Partners) to determine what needs to be done to help vegetable co-ops succeed. The study has a deadline of December 31. He notified the board that Green River Marketing Cooperative voted to cease operations and that he has met with Kentucky West Nursery and expects them to also close.

Mr. Rogers notified the board that on November 2 the \$17 million bond was issued. He anticipates the funds will be transferred to KAFC in late November. Administrative expenses for KAFC have been paid by ADB funding. As revenue increases, these expenses will be covered by interest income generated from KAFC loans.

Mr. Rogers notified the board that during the December meeting they will discuss committee assignments and asked the board for any requests to serve on committees.

Mr. Rogers notified the board of the ADB planning meeting November 17-18 at General Butler State Park and invited them to sit in on the meeting.

Mr. Rogers provided a Phase II update. The tobacco companies made their 4th quarter payment without interest on Wednesday November 2. GOAP can not make a disbursement to farmers until we know a final dollar amount, but it would be likely in December. The partial payback to the Commonwealth will be November 17.

Mr. Rogers notified the board that Alan Lutz from Three Rivers Farms made a presentation to the ADB in October. He expects more information to come back to KAFC in the future.

Mr. Rogers stated that the next KAFC board meeting will be December 2 in Frankfort.

Presentations

Tosh Farms

Mr. Rogers introduced Jimmy Tosh from Tosh Farms. Mr. Tosh introduced his son, Jamey Tosh, and Jimmy Dan Hicks from Heritage Bank in Murray. Mr. Tosh gave the history of his operation and explained his expansion opportunities and the benefits of building in Kentucky versus Tennessee. Their top expenses are feed, rent to contract livestock growers, labor, and veterinary expenses. They have a risk reducing contract with Bryan Foods. The company uses third party audited financial statements and extensive monthly financial reporting. The new 2,400 head open area, deep pit wean-finish buildings for their contract growers will cost around \$400,000 each.

Owensboro Grain

Mr. Rogers introduced John Wright from Owensboro Grain. Mr. Wright described the history of Owensboro Grain and provided an overview of the company. The proposal is to build a bio-diesel processing plant at the site of the current edible oils plant in Owensboro. Mr. Wright has received commitments from several county councils for Agricultural Development Funds.

Old Business

Mr. Hughes revisited application #AF05-0027 from Arnold & Jennifer O'Reilly that was approved in September. The mortgage has been modified. **A motion to approve the**

new terms was made by Billy Joe Miles, seconded Annette Crawford Walters. The motion passed without dissent.

New Business

Loan applications

Agricultural Infrastructure Loan Program – Discussion and Action

Mr. Hughes introduced application #AF05-0031 by Greg & Joyce Goode. Applicants are requesting \$20,000 from K AFC for a dairy barn in Casey County. Participating lender is Farm Credit Services in Somerset. **The application has met the requirements and was approved by staff.**

Mr. Hughes introduced application #AF05-0032 by Mark & Sandra Shrewsberry. Applicants are requesting \$62,753 from K AFC for three tobacco barns in Breckinridge County. Participating lender is Farm Credit Services in Hardinsburg. **A motion to approve was made by Ms. Walters, seconded by Mr. Hunt. The motion passed without dissent.**

Mr. Hughes introduced application #AF05-0033 by Thomas & Evangela Cave, co-signed by Kenneth & Emma Sharp. Applicants are requesting \$25,000 from K AFC for a tobacco barn in Taylor County. Participating lender is Farm Credit Services in Campbellsville. **The application has met the requirements and was approved by staff.**

Agricultural Processing Investment Fund – Discussion and Action

Mr. Hughes introduced application #AF05-0030 by Owensboro Grain. The Loan Review Committee met with Mr. Wright on October 20. Owensboro Grain is asking for a \$5 million loan with \$2 million paid back over two years and the remainder amortized over 10 years. The Loan Review Committee recommended a 3.75% interest rate. K AFC will not have collateral for the loan, but will be in an equal position as other lenders and will have the guarantee of the Owensboro Grain Holding Company. Outside legal counsel will be obtained for preparing the loan documents. **A motion to approve per staff recommendations and conditions was made by Mr. Miles, seconded by Frank Penn. The motion passed without dissent.**

Other Business

Mr. Hughes notified the board of a request from Bluegrass BioEnergy, LLC.

Closing Remarks

The motion to adjourn was made by James Reams, seconded by Mr. Jagers. The motion passed without dissent.

The meeting adjourned at 12:45 pm CST.